

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended September 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* DEXTER DISTRICT LIBRARY	County* WASHTENAW	Type* LIBRARY	MuniCode* 81-8-002
Opinion Date-Use Calendar* 11-7-08	Audit Submitted-Use Calendar* 11-12-08	Fiscal Year End Month* 09	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts Issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? _____
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report? _____

General Fund Revenue: ?	\$ 1,436,781.23
General Fund Expenditure: ?	\$ 592,429.16
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 2,785,814.58
Governmental Activities Long-Term Debt (see instructions): ?	\$ 7,271,205.50

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 8040 4TH STREET	Unit's City* DEXTER	Unit's Zip* 48130	

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

November 7, 2008

To the Library Board
Dexter District Library
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Dexter District Library, Washtenaw County, Michigan as of and for the year ended September 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dexter District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Dexter District Library, Washtenaw County, Michigan as of September 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2008

This section of the Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended September 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The Library's financial status remains healthy. Total net assets as of September 30, 2008 were \$11,839,344.45, of which \$5,874,537.15 represented capital assets net of depreciation. Overall, assets increased by 10.0% from the prior year. Total liabilities as of September 30, 2008 were \$7,271,205.50 including the balance of principal owed on the Library's 20-year bond issue.

Overall revenues were \$2,192,731.04. Overall expenses were \$4,805,189.88.

The tax base increased by 6.9% from the previous year.

In November 2005, voters in the Library service area authorized the Library to issue bonds in the amount of \$7,835,000.00 (total 20-year repayment with interest \$11,470,241.00) for the purpose of building a new Library facility. The 2007-08 fiscal year saw the building fund being utilized for construction purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts, management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the library.

The first two statements are Library-wide financial statements and both present long and short-term information about the Library's overall financial status. These statements present government and/or business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Library in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the Library's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when paid or received.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the Library's assets and liabilities and this is one method to measure the Library's financial health or position.

Over time, increases and decreases in the Library's net assets are an indicator of whether the Library's financial position is improving or deteriorating.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended September 30, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	8 577 266	5 964 807
Capital Assets	<u>2 183 299</u>	<u>5 874 537</u>
Total Assets	<u>10 760 565</u>	<u>11 839 344</u>
Current Liabilities	-	-
Non-Current Liabilities	<u>7 491 298</u>	<u>7 271 205</u>
Total Liabilities	<u>7 491 298</u>	<u>7 271 205</u>
Net Assets:		
Invested in Capital		
Assets	(5 296 701)	(1 385 463)
Reserved	6 635 803	3 178 993
Unrestricted	<u>1 930 165</u>	<u>2 774 609</u>
Total Net Assets	<u>3 269 267</u>	<u>4 568 139</u>
	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
General Revenues:		
Property Taxes	1 506 799	1 862 904
State Revenue Sharing	12 770	10 547
Penal Fines	33 139	35 291
Interest	497 704	251 899
Miscellaneous	<u>48 062</u>	<u>32 090</u>
Total Revenues	<u>2 098 474</u>	<u>2 192 731</u>
Program Expenses:		
Recreation and Culture	534 409	602 471
Interest on Long-Term Debt	<u>298 138</u>	<u>291 388</u>
Total Expenses	<u>832 547</u>	<u>893 859</u>
Increase in Net Assets	1 285 927	1 298 872
Net Assets, October 1	<u>2 003 340</u>	<u>3 269 267</u>
Net Assets, September 30	<u>3 269 267</u>	<u>4 568 139</u>

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2008

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

To assess the overall health of the Library consideration must also be given to other factors such as tax base changes, facility conditions and personnel changes.

All of the Library's activities are reported as governmental activities. At this time, the Library maintains a general fund for ongoing activities (personnel, overhead, utilities, materials purchases, etc.) The Library has additional funds for specialized services (a capital construction project and a debt service fund) and these are accounted for separately.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Library's funds, focusing on significant (major) funds not the Library as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bonding covenants. The Library Board may also create funds for specific purposes. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Library has the following types of funds:

General Fund: All of the Library's daily business and service activities are included in the general fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information.

Capital Projects Fund: Construction of a new Library building is funded from this account. This fund is presented on the modified accrual basis, which is designed to show short-term financial information.

Debt Service Fund: Bonds issued to fund the construction project are repaid from this account. This fund is presented on the modified accrual basis, which is designed to show short-term financial information.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

The Library's net assets increased by \$1,298,871.78 during the year ending September 30, 2008.

The Library's combined net assets for the year ended September 30, 2008 were \$4,568,138.95.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

General Fund: This fund is used to record all the Library's financial activities not required to be recorded in a separate fund. The major source of revenue for this fund comes from the Library District's tax base. Additional sources of revenue in the General Fund come from State Aid, local penal fines, and fees for in-house services such as copying, overdue fines, grants, interest income, and gifts.

Capital Projects Fund: This fund is used to record all the Library's financial activities related to the design and construction of a new Library building. The major source of revenue for this fund came from the voter approve issuance of unlimited tax general obligation bonds. Additional sources of revenue in the Capital Projects Fund include public gifts and earned interest.

Debt Service Fund: This fund is used to record all the Library's financial activities associated with the repayment of bonded debt. The major source of revenue for this fund comes from the Library District's tax base. Additional sources of revenue in the Debt Service Fund come from earned interest on invested funds.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2008

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Construction of the new Library building totaled \$3,701,372.96 during the fiscal year. The Library purchased minor equipment during the year. Due to space constraints, the Library expects to make minimal equipment purchases until the new building is close to completion.

Long-Term Debt: In November 2005, the Dexter District Library issued \$7,835,000.00 in unlimited tax general obligation bonds at a 4.04068% true interest cost and a total 20-year total repayment of \$11,470,241.00. The current outstanding principal and interest is \$10,177,876.00. Principal of \$220,000.00 was retired during the current year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Library continued through the year with construction of the new facility. The new facility is currently planned to be 30,000 square feet. Construction is expected to be completed during the first quarter of 2009.

CONTACTING THE LIBRARY'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Library's finances and to demonstrate the Library's accountability for the revenues it receives. If you have any questions regarding this report, please contact Paul McCann, Dexter District Library Director at 8040 Fourth Street, Dexter, Michigan, 48130, phone 734-426-4477 between the hours of 9:00 AM and 5:00 PM Monday through Friday.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	355 840 99
Investments	5 608 916 31
Petty cash	<u>50 00</u>
Total Current Assets	<u>5 964 807 30</u>
NON-CURRENT ASSETS:	
Capital Assets	6 024 794 75
Less: Accumulated Depreciation	<u>(150 257 60)</u>
Total Non-current Assets	<u>5 874 537 15</u>
TOTAL ASSETS	<u>11 839 344 45</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	7 260 000 00
Compensated absences payable	<u>11 205 50</u>
Total Non-current Liabilities	<u>7 271 205 50</u>
Total Liabilities	<u>7 271 205 50</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	(1 385 462 85)
Reserved for capital projects	3 030 439 48
Reserved for debt service	148 553 24
Unrestricted	<u>2 774 609 08</u>
Total Net Assets	<u>4 568 138 95</u>
TOTAL LIABILITIES AND NET ASSETS	<u>11 839 344 45</u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended September 30, 2008

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Library	602 471 50	-	(602 471 50)
Interest on long-term debt	<u>291 387 76</u>	<u>-</u>	<u>(291 387 76)</u>
Total Governmental Activities	<u><u>893 859 26</u></u>	<u><u>-</u></u>	<u><u>(893 859 26)</u></u>
General Revenues:			
Property taxes			1 862 904 13
State aid			10 546 88
Penal fines			35 291 15
Interest			251 899 12
Miscellaneous			<u>32 089 76</u>
Total General Revenues			<u><u>2 192 731 04</u></u>
Change in net assets			1 298 871 78
Net assets, beginning of year			<u>3 269 267 17</u>
Net Assets, End of Year			<u><u>4 568 138 95</u></u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	207 287 73	02	148 553 24	355 840 99
Investments	2 578 476 85	3 030 439 46	-	5 608 916 31
Petty cash	50 00	-	-	50 00
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>2 785 814 58</u>	<u>3 030 439 48</u>	<u>148 553 24</u>	<u>5 964 807 30</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	-	-	-	-
Total liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund equity:				
Fund balances:				
Reserved	-	3 030 439 48	148 553 24	3 178 992 72
Unreserved:				
Undesignated	2 785 814 58	-	-	2 785 814 58
Total fund equity	<u>2 785 814 58</u>	<u>3 030 439 48</u>	<u>148 553 24</u>	<u>5 964 807 30</u>
Total Liabilities and Fund Equity	<u>2 785 814 58</u>	<u>3 030 439 48</u>	<u>148 553 24</u>	<u>5 964 807 30</u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

September 30, 2008

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	5 964 807 30
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	6 024 794 75
Accumulated depreciation	(150 257 60)
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds	
Bonds payable	(7 260 000 00)
Compensated absences payable	<u>(11 205 50)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>4 568 138 95</u></u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND

Year ended September 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Property taxes	1 284 348 56	-	578 555 57	1 862 904 13
State aid	10 546 88	-	-	10 546 88
Penal fines	35 291 15	-	-	35 291 15
Interest	74 504 88	173 226 21	4 168 03	251 899 12
Miscellaneous	<u>32 089 76</u>	<u>-</u>	<u>-</u>	<u>32 089 76</u>
Total revenues	<u>1 436 781 23</u>	<u>173 226 21</u>	<u>582 723 60</u>	<u>2 192 731 04</u>
Expenditures:				
Culture and recreation:				
Library:				
Salaries	278 056 25	-	-	278 056 25
Employee benefits	31 459 43	-	-	31 459 43
Payroll taxes	21 435 90	-	-	21 435 90
Supplies	39 235 14	-	-	39 235 14
Books and materials	107 073 11	-	-	107 073 11
Utilities	11 578 74	-	-	11 578 74
Insurance	7 948 00	-	-	7 948 00
Professional services	29 959 27	-	-	29 959 27
Cooperative fees	31 351 31	-	-	31 351 31
Repairs and maintenance	7 364 72	-	-	7 364 72
Miscellaneous	25 649 89	-	-	25 649 89
Capital outlay	1 317 40	3 701 372 96	-	3 702 690 36
Debt service	<u>-</u>	<u>-</u>	<u>511 387 76</u>	<u>511 387 76</u>
Total Expenditures	<u>592 429 16</u>	<u>3 701 372 96</u>	<u>511 387 76</u>	<u>4 805 189 88</u>
Excess (deficiency) of revenues over expenditures	844 352 07	(3 528 146 75)	71 335 84	(2 612 458 84)
Fund balance, October 1	<u>1 941 462 51</u>	<u>6 558 586 23</u>	<u>77 217 40</u>	<u>8 577 266 14</u>
Fund Balance, September 30	<u><u>2 785 814 58</u></u>	<u><u>3 030 439 48</u></u>	<u><u>148 553 24</u></u>	<u><u>5 964 807 30</u></u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended September 30, 2008

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS (2 612 458 84)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(11 452 00)
Capital Outlay	3 702 690 36

Decrease in non-current liability for compensated absences payable is reduction to expense in the statement of activities but is not an expenditure in the governmental funds	92 26
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Repayment of debt principal is an expenditure in the governmental funds, the repayment
does not have an effect in the statement of activities but does reduce the debt
balance in the statement of net assets

Principal payments on long-term debt	<u>220 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>1 298 871 78</u></u>
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DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Dexter District Library, Washtenaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Library contain all the Library funds that are controlled by or dependent on the Library's executive or legislative branches.

The reporting entity is the Dexter District Library. The Library is governed by an appointed Library Board. As required by generally accepted accounting principles, these financial statements present the Library as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Library's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to record the operations of the Library which pertain to maintaining and operating the Library. Included are all transactions related to the approved current operating budget.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

Debt Service Fund

This fund is used to account for long-term debt transactions.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Library. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls. The Library 2007 tax roll millage rate was 1.6486 mills, and the taxable value was \$1,150,913,450.00.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	3-50 years

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Library's governmental funds is recorded as an expenditure and liability in the respective funds. Employees may accumulate up to one year's days of vacation leave and are not paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Library provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Library Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Library Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Library Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Library Board during the fiscal year.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Library Board has designated four financial institutions for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Library's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>355 840 99</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>155 840 99</u>
Total Deposits	<u>355 840 99</u>

The Library had the following investments at September 30, 2008:

Nonrisk-categorized financial institutional pooled funds	5 106 705 31
U.S. Treasury notes rated AAA	<u>502 211 00</u>
Total	<u>5 608 916 31</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Library manages its exposure to interest rate risk is by participating in financial institution pooled funds which hold diverse investments that are authorized by law for direct investments.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds do not have a rating provided by a nationally recognized statistical rating organization. The U.S. Treasury notes are rated AAA.

The investment policy of the Library contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Library's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Library's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Library's Governmental activities for the current year was as follows:

	Balance 10/1/07	Additions	Deletions	Balance 9/30/08
Land	850 928 04	-	-	850 928 04
Building	1 371 705 95	3 701 372 96	-	5 073 078 91
Equipment	99 470 40	1 317 40	-	100 787 80
Total	2 322 104 39	3 702 690 36	-	6 024 794 75
Accumulated Depreciation	(138 805 60)	(11 452 00)	-	(150 257 60)
Net Capital Assets	<u>2 183 298 79</u>	<u>3 691 238 36</u>	<u>-</u>	<u>5 874 537 15</u>

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 10/1/07	Additions	Deductions	Balance 9/30/08
Bonds payable	7 480 000 00	-	220 000 00	7 260 000 00
Compensated absences	11 297 76	-	92 26	11 205 50
Total	<u>7 491 297 76</u>	<u>-</u>	<u>220 092 26</u>	<u>7 271 205 50</u>

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 6 – Bonds Payable

On November 17, 2005, the Library sold \$7,835,000.00 of its bonds to fund a new facility. The bond principal and interest is to be paid over a twenty year period. The bond principal outstanding as of September 30, 2008 was \$7,260,000.00.

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Payment</u>
11/1/08			\$141 439 38	\$141 439 38
5/1/09	3.750	\$255 000 00	141 439 38	396 439 38
11/1/09			136 658 13	136 658 13
5/1/10	3.750	295 000 00	136 658 13	431 658 13
11/1/10			131 126 88	131 126 88
5/1/11	3.750	310 000 00	131 126 88	441 126 88
11/1/11			125 314 38	125 314 38
5/1/12	3.750	325 000 00	125 314 38	450 314 38
11/1/12			119 220 63	119 220 63
5/1/13	3.800	345 000 00	119 220 63	464 220 63
11/1/13			112 665 63	112 665 63
5/1/14	3.800	360 000 00	112 665 63	472 665 63
11/1/14			105 825 63	105 825 63
5/1/15	3.800	380 000 00	105 825 63	485 825 63
11/1/15			98 605 63	98 605 63
5/1/16	3.800	400 000 00	98 605 63	498 605 63
11/1/16			91 005 63	91 005 63
5/1/17	3.800	420 000 00	91 005 63	511 005 63
11/1/17			83 025 63	83 025 63
5/1/18	3.800	440 000 00	83 025 63	523 025 63
11/1/18			74 665 63	74 665 63
5/1/19	3.875	465 000 00	74 665 63	539 665 63
11/1/19			65 656 25	65 656 25
5/1/20	3.900	485 000 00	65 656 25	550 656 25
11/1/20			56 198 75	56 198 75
5/1/21	3.950	510 000 00	56 198 75	566 198 75
11/1/21			46 126 25	46 126 25
5/1/22	4.000	535 000 00	46 126 25	581 126 25
11/1/22			35 426 25	35 426 25
5/1/23	4.050	565 000 00	35 426 25	600 426 25
11/1/23			23 985 00	23 985 00
5/1/24	4.100	585 000 00	23 985 00	608 985 00
11/1/24			11 992 50	11 992 50
5/1/25	4.100	585 000 00	11 992 50	596 992 50
Totals		<u>\$7 260 000 00</u>	<u>\$2 917 876 36</u>	<u>\$10 177 876 36</u>

Note 7 – Deferred Compensation Plan

The Library matches one half of the cost of an annuity of each full-time employee's gross wages up to a maximum of 5%. The total amount paid by the Library during the fiscal year ended September 30, 2008, was \$5,508.08

Note 8 – Pension Plan

The Library does not have a pension plan.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 9 – Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended September 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	1 298 921 00	1 298 921 00	1 284 348 56	(14 572 44)
State aid	6 000 00	6 000 00	10 546 88	4 546 88
Penal fines	28 900 00	28 900 00	35 291 15	6 391 15
Interest	25 000 00	25 000 00	74 504 88	49 504 88
Miscellaneous	<u>28 682 00</u>	<u>28 682 00</u>	<u>32 089 76</u>	<u>3 407 76</u>
Total revenues	<u>1 387 503 00</u>	<u>1 387 508 00</u>	<u>1 436 781 23</u>	<u>49 278 23</u>
Expenditures:				
Culture and recreation:				
Library	1 032 149 00	1 032 149 00	591 111 76	(441 037 24)
Capital outlay	<u>887 569 00</u>	<u>887 569 00</u>	<u>1 317 40</u>	<u>(886 251 60)</u>
Total expenditures	<u>1 919 718 00</u>	<u>1 919 718 00</u>	<u>592 429 16</u>	<u>(1 327 288 84)</u>
Excess (deficiency) of revenues over expenditures	(532 215 00)	(532 215 00)	844 352 07	1 376 567 07
Fund balance, October 1	<u>1 119 250 00</u>	<u>1 119 250 00</u>	<u>1 941 462 51</u>	<u>822 212 51</u>
Fund Balance, September 30	<u><u>587 035 00</u></u>	<u><u>587 035 00</u></u>	<u><u>2 785 814 58</u></u>	<u><u>2 198 779 58</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

November 7, 2008

To the Library Board
Dexter District Library
Washtenaw County, Michigan

We have audited the financial statements of the Dexter District Library for the year ended September 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Dexter District Library in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Library Board
Dexter District Library
Washtenaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Library's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Library cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Library Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Library's financial statements and this communication of these matters does not affect our report on the Library's financial statements, dated September 30, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants